



Weekly Market Watch

Weekly Market Watch | Georgia
October 21, 2019

Economy

S&P upgraded Georgia's sovereign credit rating

S&P upgraded Georgia's sovereign credit rating by one notch to BB in October 2019, leaving the country just two notches from investment-grade status. Moody's upgraded Georgia's credit rating to this level in 2017, followed by Fitch in February 2019.

The S&P rating upgrade reflects Georgia's comparatively high growth in recent years, even in a challenging external environment. S&P expects the Georgian economy to grow faster than other countries in the region in the coming years, at an average 4% in 2020-22. The ratings are constrained by low GDP per capita, as well as by balance-of-payments vulnerabilities, including Georgia's import dependence and sizable external liabilities based on S&P.

Trade deficit up 6.6% y/y in September 2019

In September 2019, exports were up 0.5% y/y to US\$ 302.6mn, imports increased by 4.0% y/y to US\$ 748.6mn and the trade deficit increased 6.6% y/y to US\$ 446.0mn, according to Geostat's preliminary figures. In 9M19, trade deficit was down 11.6% to US\$ 3.8bn as exports increased by 11.1% y/y to US\$ 2.7bn and imports were down 3.3% y/y to US\$ 6.5bn.

Money transfers up 13.9% y/y in September 2019

In September 2019, money transfers increased by 13.9% y/y to US\$ 149.8mn, after growing 7.8% y/y in previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+27.2% y/y, 14.1% of total), Greece (+12.3% y/y, 10.6% of total), USA (+8.4% y/y, 10.3% of total), Israel (+8.4% y/y, 9.0% of total) and Turkey (+13.2% y/y, 5.5% of total). Meanwhile, remittances continued to decrease from Russia (-3.7% y/y, 24.2% of total). Overall, in 9M19 money transfers were up 8.5% y/y to US\$ 1.3bn.

International arrivals up 2.7% y/y in September 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 2.7% y/y to 0.78mn persons in September 2019, according to GNTA. This growth was mostly driven by same-day arrivals (+7.7% y/y to 0.24mn trips), while tourist arrivals increased slightly by 0.6% y/y (68.8% of total). Out of top countries, in September 2019, international visitors increased from Azerbaijan (+4.8%), Armenia (+8.1% y/y), Turkey (+8.3% y/y), Ukraine (+27.5%) and Israel (+31.6% y/y). Meanwhile, visitors declined from Russia (-20.6% y/y) and Iran (-37.8% y/y). Visitors from the EU were up 26.7% y/y to over 72,400 visitors, with Germany, Poland and UK driving the growth. In 9M19, total international visitors stood at 6.0mn (+5.9% y/y), of which tourist arrivals reached 4.0mn (+5.8% y/y) persons. Meanwhile, tourism revenues stood at US\$ 2.6bn (+0.5% y/y) in 9M19 according to NBG.

International reserves up 14.3% y/y and down 2.5% m/m in September 2019

Gross international reserves were up 14.3% y/y to US\$ 3.6bn in September 2019 according to NBG. On a monthly basis reserves decreased by 2.5%, partly affected by US\$ 40mn sale by NBG to curb GEL depreciation.

IMF maintains Georgia's economic growth projections

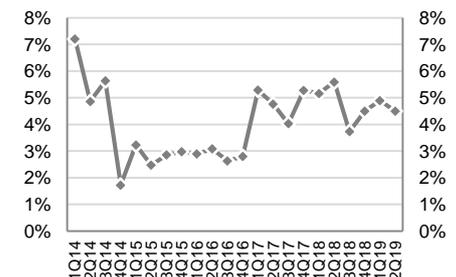
IMF has updated its World Economic Outlook and projects global growth at 3.0% for 2019, its lowest level since 2008-09 and a 0.3ppts downgrade from the April 2019 World Economic Outlook. Notably, IMF has kept Georgia's economic growth projection at 4.6% for 2019 and expects 4.8% real GDP growth for 2020 and an average 5.1% growth over 2021-24.

Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	9,991	10,679	11,485
GDP per capita (US\$)	3,857	4,047	4,346
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.8%	6.7%	1.5%
Gross reserves (US\$ bn)	2.8	3.0	3.3
CAD (% of GDP)	13.1%	8.8%	7.7%
Fiscal deficit (% of GDP)	3.0%	2.9%	2.5%
Total public debt (% of GDP)	44.4%	44.8%	45.0%

Source: Official data, IMF, G&T

Real GDP growth, %



Source: Geostat

International ranking, 2018-19

Ease of Doing Business # 6 (Top 10)
Economic Freedom Index # 16 (mostly free)
Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB Stable Upgraded Oct-2019	 Ba2 Stable Affirmed Sep-2019	 BB Stable Affirmed Aug-2019
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.3bn (US\$ 765.3mn).

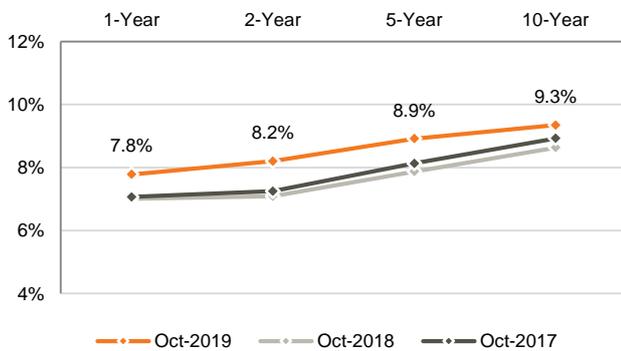
Ministry of Finance Benchmark Bonds: 10-year GEL 30.0mn (US\$ 10.1mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on October 15, 2019. The weighted average yield was fixed at 9.640%. The nearest treasury security auction is scheduled for October 22, 2019, where GEL 70.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes, Oct-19 emission calendar

Date	Volume, GEL mn	Maturity
22-Oct-19	70	5 year

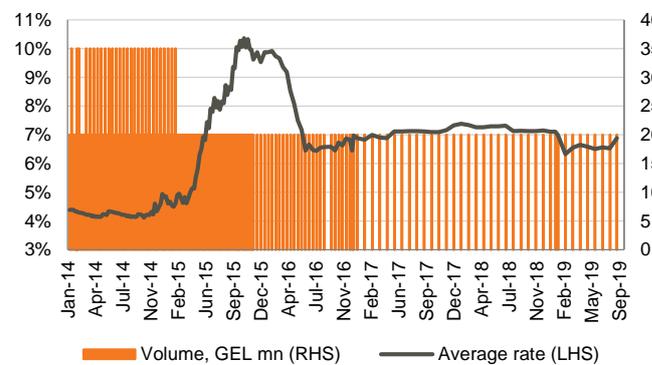
Source: MoF

T-bills / T-notes, yield curve



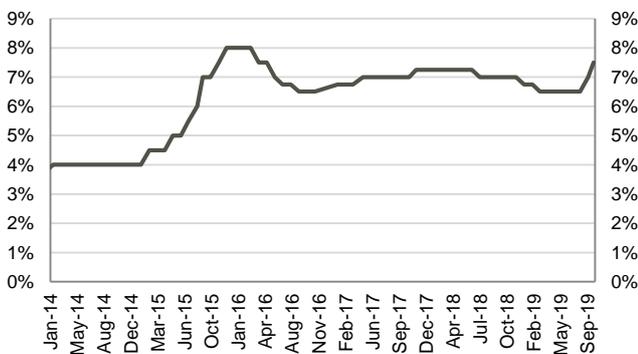
Source: NBG

Certificates of Deposits (weighted average rate)



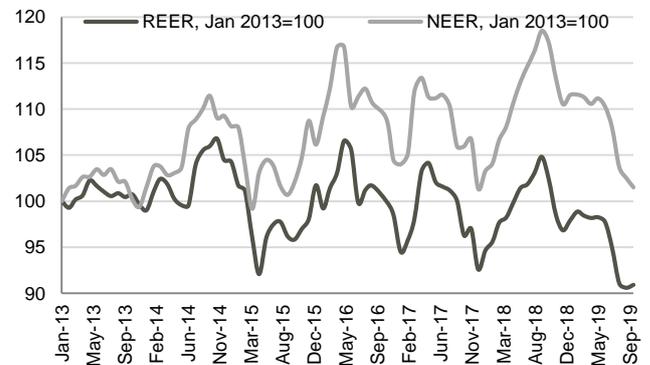
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

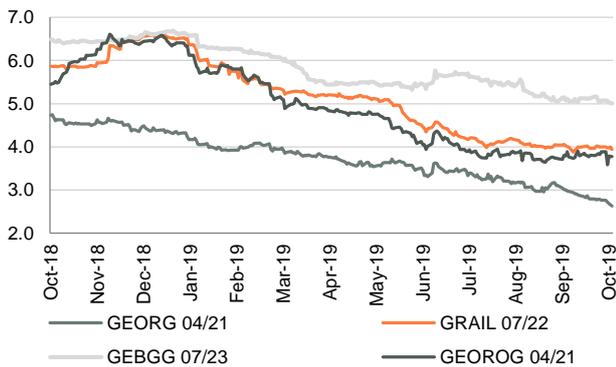
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.01% yield, trading at 103.35 (+0.20% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.88 (+0.17% w/w), yielding 7.52%.

GOGC Eurobonds (GEOROG) were trading at 104.33 (+0.12% w/w), yielding 3.77%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.73 (+0.09% w/w), yielding 3.94%.

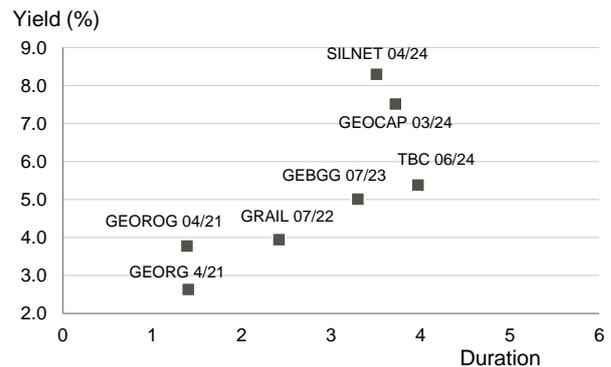
Georgian Sovereign Eurobonds (GEORG) closed at 106.09 (+0.13% w/w) at 2.63% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Georgian bonds performance

Georgian Eurobonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/ Scope)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB-/BB-/Ba2	106.09	2.63	89.23
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.73	3.94	232.15
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.33	3.77	203.29
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+/-	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+/-	103.35	5.01	344.04
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	103.59	10.23	853.88
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	94.88	7.52	593.59
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	109.88	8.30	668.06
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	101.49	5.38	375.94
TBC PERP	US\$	125	10.775%	n/a	B-/-	101.45	10.55	877.01

Georgian local bonds performance

GWP 12/21	GEL	30	11.00%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.53	6.75	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.00	7.50	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	100.93	5.88	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.21	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.63	7.25	n/a
CRYSTAL 12/19	GEL	10	12.00%	Dec-19	B-/-	99.86	11.75	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B-/-	98.52	11.75	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	11.00%	Aug-22	B+/-/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	10.50%	Dec-23	-/-/BB-	n/a	n/a	n/a
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a
Swiss Capital 09/21	GEL	10	14.00%	Sep-21	B-/-/-	98.38	14.00	n/a

Source: Bloomberg



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB-/Ba2	106.09	2.63	89.23
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	102.99	2.75	87.55
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.50	3.10	145.86
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.54	4.43	281.16
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.45	2.49	89.51
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.62	1.86	-3.37
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.03	4.16	247.28
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.42	5.22	359.12

Source: Bloomberg



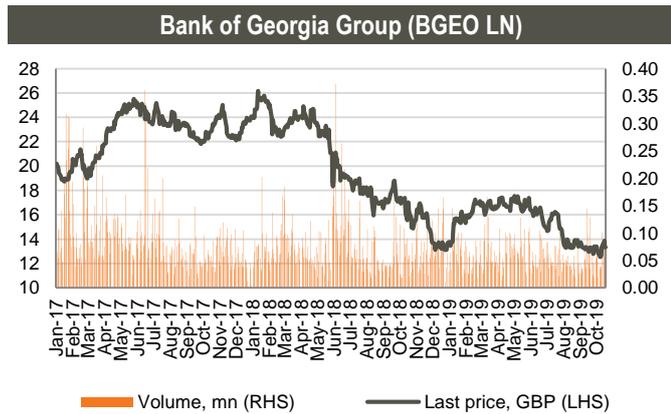
Equities

Bank of Georgia Group (B GEO LN) shares closed at GBP 13.33/share (unchanged w/w and +2.15% m/m). More than 310k shares traded in the range of GBP 12.83 - 13.99/share. Average daily traded volume was 51k in the last 4 weeks. FTSE 250 Index, of which B GEO is a constituent, gained 0.93% w/w and 0.87% m/m. The volume of B GEO shares traded was at 0.63% of its capitalization.

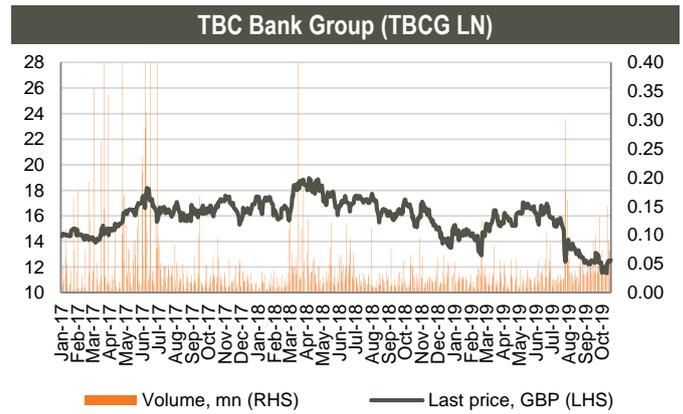
Georgia Capital (CGEO LN) shares closed at GBP 9.84/share (-1.30% w/w and -4.09% m/m). More than 166k shares traded in the range of GBP 9.67 - 9.99/share. Average daily traded volume was 27k in the last 4 weeks. The volume of CGEO shares traded was at 0.45% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.54/share (+2.79% w/w and +1.79% m/m). More than 358k shares changed hands in the range of GBP 12.10 - 12.70/share. Average daily traded volume was 61k in the last 4 weeks. The volume of TBCG shares traded was at 0.65% of its capitalization.

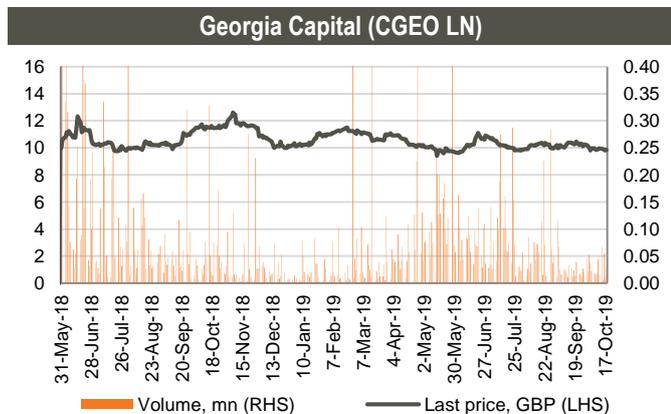
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.90/share (-6.86% w/w and -7.77% m/m). More than 109k shares were traded in the range of GBP 1.78 - 2.04/share. Average daily traded volume was 15k in the last 4 weeks. The volume of GHG shares traded was at 0.08% of its capitalization.



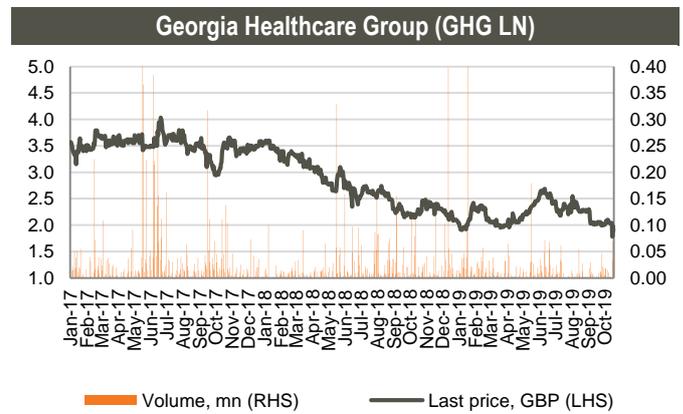
Source: Bloomberg



Source: Bloomberg



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Source: Bloomberg



Equities, continued

Eastern European banks

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B		
							2019F	2020F	2019F	2020F	
Bank of Georgia	BGEO	GBP	13.33	655	-20.0%	-18.5%	-3.2%	6.01x	5.11x	1.16x	0.98x
TBC	TBC	GBP	12.54	690	-17.7%	-19.5%	-17.6%	5.55x	5.00x	1.00x	0.87x
Halyk Bank	HSBK	US\$	13.00	3,820	14.5%	15.0%	25.6%	4.84x	4.76x	1.07x	1.02x
VTB Bank	VTBR	US\$	1.34	8,690	15.1%	1.8%	21.0%	3.61x	3.42x	0.55x	0.41x
Akbank	AKBNK	TRY	7.30	37,960	15.7%	18.4%	24.0%	6.86x	4.75x	0.73x	0.64x
Garanti	GARAN	TRY	9.27	38,934	9.2%	21.5%	16.5%	5.80x	4.11x	0.73x	0.63x
Isbank	ISCTR	TRY	6.10	27,450	2.0%	42.5%	34.7%	4.74x	3.76x	0.50x	0.44x
PKO	PKO	PLN	37.64	47,050	-4.1%	-6.6%	-4.6%	10.67x	10.33x	1.14x	1.09x
PEKAO	PEO	PLN	106.50	27,953	-8.9%	2.5%	-2.3%	12.37x	10.54x	1.20x	1.15x
Millennium	MIL	PLN	6.15	7,454	-35.7%	-30.2%	-30.7%	9.94x	7.69x	0.83x	0.75x
Mbank	MBK	PLN	378.20	16,012	-14.4%	-5.2%	-10.8%	12.99x	11.51x	0.98x	0.92x
BRD	BRD	RON	14.16	9,868	5.7%	7.6%	24.2%	7.40x	8.41x	1.25x	1.23x
Banca Transilvania	TLV	RON	2.38	12,414	21.0%	9.5%	28.6%	7.88x	8.73x	1.48x	1.37x
OTP	OTPD	USD	21.20	11,872	-7.0%	19.8%	8.2%	9.47x	9.28x	0.80x	0.69x
Komercni	KOMB	CZK	781.50	148,524	-13.7%	-12.2%	-7.7%	10.09x	10.36x	1.40x	1.32x
Mean								7.88x	7.18x	0.99x	0.90x
Median								7.40x	7.69x	1.00x	0.92x

Source: Bloomberg, S&P Capital IQ

Investment management companies

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B		
							2019F	2020F	2019F	2020F	
Georgia Capital	CGEO	GBP	9.84	361	-3.7%	-14.4%	-3.6%	14.21x	11.14x	1.00x	0.93x
Tinc Comm	TINC	EUR	13.80	376	14.0%	13.1%	16.9%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.62	17,588	8.7%	11.1%	14.6%	4.45x	3.62x	0.51x	0.46x
Deutsche Beteiligungs	DBAN	EUR	37.15	559	0.4%	3.6%	10.7%	19.79x	16.08x	1.27x	1.20x
Eurazeo	RF	EUR	62.00	4,883	-2.4%	2.0%	5.3%	13.09x	12.04x	0.89x	0.84x
Carlyle Group	CG	USD	26.98	2,986	31.9%	33.0%	71.3%	10.14x	5.63x	3.15x	1.82x
Mean								12.34x	9.70x	1.36x	1.05x
Median								13.09x	11.14x	1.00x	0.93x

Source: Bloomberg, S&P Capital IQ

Healthcare sector companies

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		EV/EBITDA		
							2019F	2020F	2019F	2020F	
GHG	GHG	GBP	1.90	250	-7.3%	-14.6%	-6.9%	19.93x	12.84x	7.72x	6.52x
Mouwasset	MOUWASAT	SAR	84.00	8,400	-2.2%	22.1%	4.3%	22.13x	18.44x	15.54x	13.35x
Fortis	FORH	INR	138.25	104,373	-1.5%	4.0%	-1.6%	1.73x	1.56x	6.69x	6.79x
Raffles	RFMD	SGD	1.01	1,846	-6.5%	-3.8%	-8.2%	30.80x	30.56x	19.67x	18.67x
IHH	IHH	MYR	5.67	49,749	3.5%	11.8%	5.2%	48.46x	39.25x	16.77x	14.61x
Bangkok Chain	BCH	THB	15.90	39,651	-10.2%	-18.0%	-4.8%	32.07x	28.97x	17.87x	16.27x
Netcare	NTC	ZAR	17.77	25,799	-25.6%	-25.3%	-32.8%	11.97x	11.41x	7.31x	6.86x
Life Healthcare	LHC	ZAR	24.09	35,348	-12.9%	0.5%	-8.8%	20.62x	15.54x	8.41x	7.52x
Mediclinic	MDC	GBP	3.77	2,782	10.8%	5.5%	17.0%	14.05x	14.66x	9.11x	8.63x
Apollo Hospitals	APHS	INR	1,507.85	209,780	18.6%	34.2%	19.8%	74.12x	56.62x	22.84x	17.42x
KPJ Healthcare	KPJ	MYR	0.95	4,071	-1.0%	-10.4%	-8.7%	22.16x	20.24x	10.54x	9.92x
NMC	NMC	GBP	26.50	5,532	5.2%	-15.5%	-3.1%	22.74x	17.75x	14.56x	12.23x
Mean								26.73x	22.32x	13.09x	11.57x
Median								22.15x	18.09x	12.55x	11.08x

Source: Bloomberg, S&P Capital IQ



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